

CONTRACT #19
RFS # 318.66-026
FA # 02-14632-00

**Department of Finance &
Administration
Bureau of TennCare**

VENDOR:
Volunteer State Health Plan,
Inc. (TennCare Select)



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

June 12, 2008

Mr. Jim White, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Bureau of TennCare
Contract Amendments Submitted for Fiscal Review

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee three (3) Behavioral Health Organization (BHO) amendments, listed below:

Premier Behavioral Health Systems of TN	FA-01-14662-21
Tennessee Behavioral Health, Inc.	FA-01-14661-20
Tennessee Behavioral Health, Inc. (East TN)	FA-05-16089-11

These amendments will not only extend the term dates of the contracts to coincide with the new managed care contractor assuming behavioral health services in November, 2008 and January, 2009, but also determine rates for the duration of the contract term. Over the past few months TennCare has developed and released a Request for Proposal to competitively award the new Managed Care Contractors in West and East Tennessee who will incorporate not only medical health services, but behavioral health services as well for TennCare recipients.

Additionally, TennCare is submitting for review Volunteer State Health Plan (Select), FA-02-14632-19. This amendment includes pay for performance measures, including EPSDT, Medical Service Budget Target, Case Manager

RECEIVED

JUN 16 2008

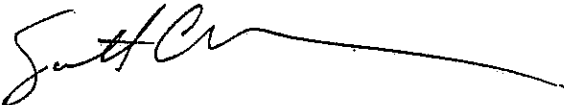
FISCAL REVIEW

Mr. Jim White, Director
June 12, 2008
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Assignment and Claims Payment Accuracy. This amendment does not include a term extension or additional funding.

The Bureau of TennCare would greatly appreciate the consideration and approval of these amendments by the Fiscal Review Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Pierce", with a long horizontal flourish extending to the right.

Scott Pierce
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Contract Coordinator

REQUEST: NON-COMPETITIVE AMENDMENT

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FISCAL REVIEW

APPROVED

Commissioner of Finance & Administration

Date:

Each of the request items below indicates specific information that must be individually detailed or addressed as required.
A REQUEST CAN NOT BE CONSIDERED IF INFORMATION PROVIDED IS INCOMPLETE, NON-RESPONSIVE, OR DOES NOT
CLEARLY ADDRESS EACH OF THE REQUIREMENTS INDIVIDUALLY AS REQUIRED.

RFS #	318.66-026		
STATE AGENCY NAME :	Department of Finance and Administration, Bureau of TennCare		
SERVICE CAPTION :	Provides TennCare covered services to children in State custody and provides a safety net should other MCO's fail.		
CONTRACT #	FA-02-14632-00	PROPOSED AMENDMENT #	19
CONTRACTOR :	Volunteer State Health Plan, Inc.		
CONTRACT START DATE :	July 1, 2001		
CURRENT, LATEST POSSIBLE END DATE : (including ALL options to extend)	06/30/2009		
CURRENT MAXIMUM LIABILITY :	\$982,177,305.90		
LATEST POSSIBLE END DATE <u>WITH</u> PROPOSED AMENDMENT : (including ALL options to extend)	06/30/2009		
TOTAL MAXIMUM COST <u>WITH</u> PROPOSED AMENDMENT : (including ALL options to extend)	\$982,177,305.90		
APPROVAL CRITERIA : (select one)	<input checked="checked" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service		
ADDITIONAL REQUIRED REQUEST DETAILS BELOW (address each item immediately following the requirement text)			
(1) description of the proposed additional service and amendment effects :			
This amendment provides the following modifications to current MCO language: Provides Shared Risk for Contractor/ Pay for Performance Measures, including EPSDT, Medical Service Budget Target, Case Manager Assignment, and claims Payment Accuracy.			
(2) explanation of need for the proposed amendment :			

This amendment is needed to promote better management while allowing TennCare to increase federal matching funding through this contract.

(3) **name and address of the proposed contractor's principal owner(s) :**
(not required if proposed contractor is a state education institution)

BlueCross BlueShield 801 Pine St Chattanooga, TN 37402

(4) **documentation of OIR endorsement of the Non-Competitive procurement request :**
(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(5) **documentation of Department of Personnel endorsement of the Non-Competitive procurement request :**
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(6) **description of procuring agency efforts to identify reasonable, competitive, procurement alternatives rather than to use non-competitive negotiation :**

This Contractor is currently providing a network of services for the TennCare Program. This is an amendment to current contract.

(7) **justification of why the F&A Commissioner should approve a Non-Competitive Amendment :**

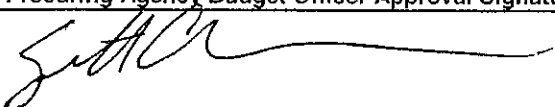
The Bureau of TennCare is currently modifying all of the MCO contracts to provide specific language changes for clarity and compliance with current changes in the TennCare program. This contract amendment is adding performance measures that will promote better management. This MCO contract provide necessary Health Care Services to the TennCare/Medicaid Population. TennCare would greatly appreciate approval by the Commissioner of Finance and Administration.

AGENCY HEAD REQUEST SIGNATURE:

(must be signed by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR — signature by an authorized signatory will be accepted only in documented exigent circumstances)

SIGNATURE DATE:

CONTRACT SUMMARY SHEET

RFS Number:	318.66-026			Contract Number:	FA-02-14632-19	
State Agency:	Department of Finance and Administration			Division:	Bureau of TennCare	
Contractor				Contract Identification Number		
VSHP (TennCare Select)				<input type="checkbox"/> V- <input type="checkbox"/> C-		
Service Description						
Managed Care Organization Services (ASO) / Medically necessary Health Care Services to the TennCare / Medicaid Population						
Contract Begin Date				Contract End Date		
7/1/2001				6/30/2009		
Allotment Code	Cost Center	Object Code	Fund	Grant	Grant Code	Subgrant Code
318.66	4A2	134	11	<input type="checkbox"/> STARS		
FY	State Funds	Federal Funds	Interdepartmental Funds	Other Funding	Total Contract Amount (including ALL amendments)	
2002	\$ 6,755,937.23	\$ 11,843,931.25			\$ 18,599,868.48	
2003	\$ 15,785,123.40	\$ 17,294,819.40			\$ 33,079,942.80	
2004	\$ 25,125,990.72	\$ 38,364,165.90			\$ 63,490,156.62	
2005	\$ 58,007,447.00	\$ 58,007,447.00			\$ 116,014,894.00	
2006	\$87,748,111.00	\$87,748,111.00			\$175,496,222.00	
2007	\$87,748,111.00	\$87,748,111.00			\$175,496,222.00	
2008	\$72,610,000.00	\$127,390,000.00			\$200,000,000.00	
2009	\$72,610,000.00	\$127,390,000.00			\$200,000,000.00	
Total:	\$ 426,390,720.35	\$ 555,786,585.55			\$982,177,305.90	
CFDA#	93.778 Title XIX Dept. of Health & Human Svcs.			Check the box ONLY if the answer is YES:		
State Fiscal Contract				Is the Contractor a SUBRECIPIENT? (per OMB A-133)		
Name:	Scott Pierce			Is the Contractor a Vendor? (per OMB A-133)		
Address:	310 Great Circle Road			Is the Fiscal Year Funding STRICTLY LIMITED?		
Phone:	Nashville, TN (615)507-6415			Is the Contractor on STARS?		
Procuring Agency Budget Officer Approval Signature				Is the Contractor's FORM W-9 ATTACHED?		
Scott Pierce 				Is the Contractor's Form W-9 Filed with Accounts?		
COMPLETE FOR ALL AMENDMENTS (only)				Funding Certification		
		Base Contract & Prior Amendments	This Amendment ONLY	Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.		
CONTRACT END DATE:		6/30/2008	6/30/2009			
FY: 2002	\$ 18,599,868.48					
FY: 2003	\$ 33,079,942.80					
FY: 2004	\$ 63,490,156.62					
FY: 2005	\$116,014,894.00					
FY: 2006	\$175,496,222.00					
FY: 2007	\$175,151,878.00					
FY: 2008	\$200,000,000.00					
FY: 2009	\$200,000,000.00					
Total:	\$982,177,305.90					

AMENDMENT NUMBER 19

**AN AGREEMENT FOR THE ADMINISTRATION OF TENNCARE SELECT
BETWEEN
THE STATE OF TENNESSEE,
d.b.a. TENNCARE
AND
VOLUNTEER STATE HEALTH PLAN, INC.**

CONTRACT NUMBER: FA-02-14632-00

For and in consideration of the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to clarify and/or amend the Agreement for the Administration of TennCare Select by and between the State of Tennessee TennCare Bureau, hereinafter referred to as TENNCARE, and Volunteer State Health Plan, Inc., hereinafter referred to as the CONTRACTOR, as follows:

Titles and numbering of paragraphs used herein are for the purpose of facilitating use of reference only and shall not be construed to infer a contractual construction of language.

1. Section 5-1 shall be amended by adding a new Section 5-1.k which shall read as follows:

k. Shared Risk Terms and Conditions

Effective July 1, 2008, the terms of the CONTRACTOR's shared risk responsibility shall be described below. The shared risk terms shall apply to the following populations as described in Section 4-1.1.a of this Contract: Group 1.A, Group 1.B, and Group 2.

The CONTRACTOR will be paid an administrative fee to administer the TennCare MCO benefits. Additionally, there will be both an upside potential (bonus) as well as downside potential (risk). Bonus and the risk will be based on the following components as described below:

EPSDT,
Medical Services Budget Target, and
Case Manager Assignments.

(1) Acuity Adjustment

The parties hereby agree that the aggregate base line acuity for the population administered by the CONTRACTOR shall be based on a methodology that shall be agreed upon by both parties prior to June 30, 2008.

The Parties further agree that the ability of the CONTRACTOR to achieve these initiatives is directly and materially related to said base line acuity of the aggregate population described above. As an integral part of evaluating the CONTRACTOR's performance in achieving the goals set forth above, the CONTRACTOR and TennCare shall perform a quarterly follow-up acuity review of the aggregate population described above. The CONTRACTOR and TennCare shall perform a reconciliation of aggregate acuity of the CONTRACTOR's assigned population described above and show compliance with the Shared Risk Initiatives adjusting for changes in acuity population and supply said adjustment data to TENNCARE for review and approval on a quarterly basis. The adjusted base line numbers for acuity shall serve as the standard for the determination as to whether the CONTRACTOR achieved the Shared Risk Initiatives.

(2) **Mandates / Initiatives**

In addition, the Parties hereby agree that the determination of achieving compliance with the above Shared Risk Initiatives shall be consistent with the obligations of this Contract as they are performed and interpreted as of July 1, 2008. As such, services provided as a result of compliance with an instruction or mandate from the TennCare Bureau that is in conflict with, or in excess of, those obligations pursuant to this Contract as of July 1, 2008 shall be taken into account and not counted against the Contractor in determining the achievement of the Shared Risk Initiatives.

(3) **Risk Component**

The Shared Risk Model will require that a percent of the administrative fees be placed at risk. The Model will set five percent (5%) of the administrative fee at risk.

The Shared Risk Initiatives are listed below along with its associated risk contribution.

Shared Risk Initiative	Contribution to Risk
EPSDT Compliance	2.0%
Medical Services Budget Target	1.0%
Case Manager Assignment	2.0%

(a) **Increase EPSDT Compliance**

The target for the period July 1, 2008 through June 30, 2009 is eighty percent (80%).

The goal is to insure that all children under the age of twenty-one (21) are receiving screenings consistent with the periodicity schedule referenced in the Contract.

TENNCARE shall use the CMS 416 format in order to measure the CONTRACTOR's progress on a quarterly basis. In order to encourage continued progress, the administrative rate shall be reconciled in accordance with the following:

Percentage of EPSDT Compliance Benchmark	Administrative Fee Adjustment
≥ 100%	All admin assoc with EPSDT Screening rate compliance risk portion and potential bonus
≥ 95% and < 100%	-25% of admin assoc EPSDT Screening rate compliance risk portion
≥ 90% and < 95%	-50% of admin assoc EPSDT Screening rate compliance risk portion
≥ 85% and < 90%	-75% of admin assoc EPSDT Screening rate compliance risk portion

< 85% and lower	-100% of admin assoc EPSDT Screening rate compliance risk portion
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Evaluation Period: Annually with a 90 day lag

At Risk Portion: 2.0% of Administrative Fee (Budget)

Implementation Date: July 1, 2008

(b) Medical Services Budget Target Initiative

At the end of the evaluation period associated with the MSBT, if the actual medical costs + IBNR is less than or equal to 100% of the MSBT, the CONTRACTOR shall retain 100% of the administrative fee associated with the MSBT. If the actual medical costs + IBNR is more than 100% of the MSBT, the CONTRACTOR's administrative fee associated with the MSBT shall be adjusted in accordance with the chart below. The Table below illustrates the risk corridors for the Medical Services Budget target:

Percent of MSBT	Administrative Fee Adjustment
≤ 102%	All admin assoc with MSBT at risk portion and potential bonus
> 102% and ≤ 105%	-25% of admin assoc MSBT risk portion
> 105% and ≤ 110%	-50% of admin assoc MSBT risk portion
> 110% and ≤ 115%	-75% of admin assoc MSBT risk portion
> 115% and greater	-100% of admin assoc MSBT risk portion

Evaluation Period: Annual with a 90 day lag

At Risk Portion: 1% of Administrative Fee (Budget)

Implementation Date: July 1, 2008

(c) Case Manager Assignment for Children in State Custody

The CONTRACTOR shall assign a Case Manager to each child in State Custody within thirty (30) days of enrollment. The target for the period July 1, 2008 through June 30, 2009 is one-hundred percent (100%).

In Accordance with Section 2 of Attachment XII, Exhibit H.3, the CONTRACTOR shall provide TENNCARE with a quarterly report indicating the number of children in state custody enrolled longer than thirty (30) days and thirty (30) days or less, indicating how many have a case manager assigned. TENNCARE shall measure the CONTRACTOR's progress on a quarterly basis. In order to assure timeliness of assignment, the administrative rate shall be reconciled in accordance with the following:

Percentage of DCS Children with a Case Manager Assignment within Compliance Benchmark	Administrative Fee Adjustment
≥ 100%	All admin assoc with timely Case Manager Assignment rate compliance risk portion and potential bonus
≥ 95% and < 100%	-25% of admin assoc timely Case Manager Assignment rate compliance risk portion

≥ 90% and < 95%	-50% of admin assoc timely Case Manager Assignment rate compliance risk portion
≥ 85% and < 90%	-75% of admin assoc timely Case Manager Assignment rate compliance risk portion
< 85% and lower	-100% of admin assoc timely Case Manager Assignment rate compliance risk portion

Evaluation Period: Annually with a 90 day lag

At Risk Portion: 2.0% of Administrative Fee (Budget)

Implementation Date: July 1, 2008

(4) Performance Bonuses

TennCare will establish a bonus pool for each Risk Initiative. The bonus pool will represent twenty percent (20%) of the administrative fee for the CONTRACTOR as described in Section 5-1 of this Contract. The following Initiatives will be included in the Bonus Pool: EPSDT Compliance and Medical Service Budget Target (MSBT).

The following table identifies the weighting for each Initiative:

Shared Risk Initiative	Contribution to Bonus
EPSDT Compliance	10.0%
Medical Service Budget Target	10.0%

Additional Bonus Points

Performance – Percent Exceeding Target	EPSDT Compliance Target
> 100% and ≤ 105%	25%
> 105% and ≤ 110%	50%
> 110% and ≤ 120%	75%
> 120% and over	100%

Performance – Percent Improving Target	Medical Services Budget Target
< 98% and ≥ 95%	25%
< 95% and ≥ 90%	50%
< 90% and ≥ 85%	75%
< 85%	100%

(5) Risk and Bonus Payout Reconciliation

The administrative fee will be paid in full on a monthly basis until such time the Evaluation Periods have occurred and determination has been made regarding the CONTRACTOR's compliance. Payouts for the annual evaluation period shall be made by October 31 of the following year.

In the event that the CONTRACTOR's progress on the various initiatives are different from what is determined by TennCare, the results (findings from both) will be reconciled during a fifteen (15) business day period following the due date of the submission by the Plan. If the dispute relates to medical cost and utilization based initiatives, TENNCARE shall request review by the Department of the Comptroller of the Treasury of said discrepancies. TennCare will submit an "On Request Report" (with a seven (7) day response time) to the CONTRACTOR in order for the CONTRACTOR to review and update or reprocess their data provided to TENNCARE. TENNCARE shall provide the outcome of the determination within eight (8) business days of receiving the information from the CONTRACTOR. If the information requested by TENNCARE is not provided by the due date, then the determination defaults to TENNCARE.

If targets are consistently exceeded (or not met) TENNCARE shall require that the CONTRACTOR submit a Corrective Action Plan to address the deficiencies.

All of the provisions of the original Contract not specifically deleted or modified herein shall remain in full force and effect. Unless a provision contained in this Amendment specifically indicates a different effective date, for purposes of the provisions contained herein, this Amendment shall become effective July 1, 2008.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives set their signatures.

**STATE OF TENNESSEE
DEPARTMENT OF FINANCE
AND ADMINISTRATION**

VOLUNTEER STATE HEALTH PLAN, INC.

BY: _____
M. D. Goetz, Jr.
Commissioner

BY: _____
Sonya Nelson
President and Chief Executive Officer

DATE: _____

DATE: _____

APPROVED BY:

APPROVED BY:

**STATE OF TENNESSEE
DEPARTMENT OF FINANCE
AND ADMINISTRATION**

**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

BY: _____
M. D. Goetz, Jr.
Commissioner

BY: _____
John G. Morgan
Comptroller

DATE: _____

DATE: _____